



Children, Social Security, and Private Accounts: 10 Questions for Policymakers

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Social Security has provided a retirement safety net for the elderly for more than six decades. But the program also provides working parents with valuable—and irreplaceable—insurance protection for their families against the tragedies of serious disability and death.

Given the importance of the survivor and disability components of Social Security, any responsible proposal for changing the program must address how the children and spouses of deceased workers, and disabled workers and their families would be affected.

Basic Facts About Children and Social Security

- Social Security is a *family insurance program* for workers, their spouses, and their children. It provides income support to disabled workers and their families, as well as to the survivors of workers who die.
- Nearly 1 in 3 Social Security beneficiaries is not a retiree but receives support through the survivor or disability components of the program.¹
- About 3.1 million children under the age of 18 receive Social Security benefits because a parent has died, has retired, or can no longer work because of disability.²
- Another 2.2 million children live in households where at least one adult is receiving Social Security benefits.³
- Over 7% of American children currently benefit from Social Security, while only 5% receive cash benefits through the nation's primary welfare program, Temporary Assistance for Needy Families (TANF).⁴
- Social Security is the primary, if not the only, source of life and disability insurance for many American families, especially those headed by younger workers.⁵
- Social Security is not only an important resource for poor children; the program also prevents middle- and low-income children from falling into poverty.
- Although Social Security is the single largest program that provides support to American children, the debate over privatization has focused almost entirely on retirees.

Questions About Private Accounts

- 1) How would private accounts affect children and other Social Security beneficiaries who are not retirees?
- 2) Workers who die young would not be able to accumulate sufficient assets in private accounts to provide the same level of insurance protection for their families currently offered by Social Security. How would the security of survivors be assured under a system of private accounts?
- 3) Younger workers who become disabled would not be able to accumulate sufficient assets in private accounts to provide the same level of insurance protection for their families currently offered by Social Security. How would the security of disabled workers and their families be assured under a system of private accounts?
- 4) If children and other beneficiaries who are not retirees are held harmless in a conversion to private accounts, this would hasten the shortfall in the trust fund. How would the preservation of benefits for these groups be financed?
- 5) Given that retirement, survivor, and disability benefits are all calculated using a single formula, how could cuts for retirees *not* result in benefit cuts for children and other groups of beneficiaries without changing the entire structure of Social Security?
- 6) Most proposals for private accounts call for deep cuts in benefits over time. How would the children and surviving spouses of workers who have died be affected by such cuts?
- 7) How would disabled workers and their families be affected by benefit cuts?
- 8) Nearly 760,000 severely disabled adults who became disabled before age 22 receive Social Security on the same terms as minor children, i.e., as dependents of deceased, disabled, or retired workers. How would this group of beneficiaries be affected by benefit cuts?
- 9) If retirees' benefits are reduced, what financial burden would be passed on to their children, who are already struggling to provide for themselves and their own children?
- 10) If converting private accounts adds trillions of dollars to the deficit, what would that mean for children and their future economic security?

Endnotes

1. U.S. Social Security Administration, Office of the Chief Actuary. (2005). *Fact sheet on the old-age, survivors, and disability insurance program*. Washington, DC: U.S. Social Security Administration <www.ssa.gov/OACT/FACTS/fs2004_12.html> (accessed February 10, 2005).
2. Ibid.
3. Hill, C. & Reno, V. (2003). *Children's stake in Social Security* (Social Security Brief No. 14). Washington, DC: National Academy of Social Insurance.
4. See U.S. Social Security Administration in endnote 1, Hill & Reno in endnote 3, and U.S. Department of Health and Human Services, Administration for Children and Families. (2004). Characteristics and financial circumstances of TANF recipients (6th Annual Report to Congress) <www.acf.hhs.gov/programs/ofa/annualreport6/chapter10/chap10.htm>.
5. See Hill & Reno in endnote 3.